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C O N F I D E N T I A L SECTION 01 OF 02 TUNIS 000305

SIPDIS

STATE FOR NEA/FO, NEA/MAG, NEA/SCA/EX;
STATE ALSO FOR A/OPR/OS, DS/OFM, L/DL

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TAGS: [ASCH](#) [OFDP](#) [PREL](#) [TS](#)
SUBJECT: AMBASSADOR DELIVERS SCHOOL NON-PAPER TO MINISTER
OF FINANCE

REF: TUNIS 286 AND PREVIOUS

Classified By: Ambassador Robert F. Godec for reasons 1.4 (b) and (d)

SUMMARY

¶1. (C) The Ambassador delivered a non-paper to the Minister of Finance conveying USG agreement in principle on the tax aspects of a bilateral accord for the American Cooperative School of Tunis (ACST). The GOT has yet to signal its intentions on the question of the lease of the land occupied by the school. The Minister stated that he could not speak for other ministries while the Ambassador made clear that any agreement must be comprehensive. The Ambassador's request for a meeting with the Minister of Public Lands is pending. End summary.

READOUT

¶2. (C) On May 19, the Ambassador met with Minister of Finance Mohamed Rachid Kechiche to convey the United States position on the tax and status negotiations on behalf of ACST. Accompanying the Ambassador were the DCM and IO (ACST Board President).

¶3. (C) During the cordial meeting, the Ambassador delivered a non-paper summarizing the United States position: in short, acceptance in principle that ACST would pay 4.2 million Tunisian dinars over five years to settle all past liabilities through June 30; a new fiscal status involving significant taxation of salaries but substantial exoneration for the school itself to take effect July 1. Both of these are in the context of a comprehensive status agreement that must include resolution of the lease called into question by the GOT in March.

¶4. (C) Not unexpectedly, Minister Kechiche attempted to deflect the land issue and any other non-tax questions as outside his prerogative, insisting that he could not speak for other ministries, nor could he agree to a fiscal settlement contingent on actions by those other ministries. Instead, the Minister emphasized the generosity of the Tunisian offer on the fiscal questions. He even alluded to the need to resolve fiscal issues as quickly as possible to avoid ongoing complications for ACST's overseas-hire staff (for example, their current inability to obtain road tax stickers for their cars).

¶5. (C) In response, the Ambassador underlined that substantial concessions been made by both sides. The United States still does not accept the Tunisian position on the

past taxation, though we are willing to resolve the issue via a settlement for the benefit of the school. He also reminded the Minister that we are in government-to-government negotiations, not discussions with just one ministry. Since it was clear that Minister Kechiche would not, or could not, address the land issue or other non-tax details of the eventual accord, the Ambassador reiterated his appreciation for the progress made in the negotiations and his confidence that a comprehensive accord was within reach.

¶6. (C) The meeting closed with a suggestion by the Minister that the terms agreed be reviewed and incorporated into a "proces verbal" (settlement agreement) to resolve the tax issues. The Ambassador acknowledged that possibility but made no commitment. Later in the day, the Ambassador provide the MFA Chief of Staff copies of the same non-paper on the margins of another meeting.

COMMENT

¶7. (C) The Minister of Finance would prefer to close the ACST tax case irrespective of any other issues, but we have stressed from the beginning that the tax questions must be addressed in the context of a comprehensive status agreement.

The Ambassador has already requested a meeting with the Minister of Public Lands and any accord will certainly be finalized through the Ministry of Foreign Affairs. In the meantime, in consultation with relevant Department offices and ACST, post will start the process of formalizing the language on the tax issues but emphasize to the GOT that only

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a comprehensive agreement will be signed. We will stand fast on the principle that "nothing is agreed until everything is agreed." The next important step will be gauging the attitude of--and the instructions received by--the Minister of Public Lands. End comment.

Godec